

M N C WIRELESS BERHAD

(Company No. 635884 - T)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	4,448	4,773	17,146	20,258
Cost of sales	(3,210)	(3,201)	(12,713)	(14,486)
Gross profit	1,238	1,572	4,433	5,772
Operating expenses	(1,086)	(984)	(3,948)	(4,061)
Other operating income	96	110	402	250
Finance expenses	(22)	(26)	(116)	(91)
Profit before taxation	226	672	771	1,870
Taxation	(258)	(1,928)	(454)	(2,260)
(Loss)/Profit for the period	(32)	(1,256)	317	(390)
Other comprehensive (expense)/income	-	20	980	(11)
Total comprehensive (expense)/income for the period	(32)	(1,236)	1,297	(401)
(Loss/profit after taxation attributable to owners of the Company	(32)	(1,256)	317	(390)
Total comprehensive (expense)/income attributable to owners of the Company	(32)	(1,236)	1,297	(401)
(Loss)/Profit Per Share				
(i) Basic (Sen)	(0.03)	(1.33)	0.26	(0.41)
(ii) Diluted (Sen)	N/A	N/A	0.06	N/A

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)**

	Curent Year To Date 31.12.2016 RM'000	Preceding Year To Date 31.12.2015 RM'000
Cash Flows (For)/From Operating Activities		
Profit before taxation	771	1,870
Adjustments for:-		
Non-cash items	126	223
Interest expenses	116	91
Interest income	(44)	(28)
Non-operating items	(53)	(115)
Operating profit before working capital changes	<u>916</u>	<u>2,041</u>
Increase in trade and other receivables	(5,353)	(28)
Decrease in trade and other payables	(1,534)	(2,842)
Net cash for operations	<u>(5,969)</u>	<u>(829)</u>
Interest paid	(116)	(91)
Tax paid	(544)	(890)
Net cash for operating activities	<u>(6,629)</u>	<u>(1,810)</u>
Cash Flows From/(For) Investing Activities		
Purchase of property and equipment	(29)	(676)
Proceeds from disposal of quoted shares	159	131
Interest received	44	28
Net cash from/(for) investing activities	<u>174</u>	<u>(517)</u>
Cash Flows (For)/From Financing Activities		
Net Proceeds from issue of share capital	27,771	-
Net repayment of term loans	(162)	(154)
Net cash from/(for) financing activities	<u>27,609</u>	<u>(154)</u>
Increase/(Decrease) in cash and cash equivalents	21,154	(2,481)
Cash and cash equivalents at beginning of the financial period	2,383	4,864
Cash and cash equivalents at end of the financial period	<u><u>23,537</u></u>	<u><u>2,383</u></u>
Represented By:		
Cash and bank balances	10,941	2,297
Short term deposits with licensed banks	12,796	286
	<u>23,737</u>	<u>2,583</u>
Less : Short term deposits pledged as securities	(200)	(200)
	<u><u>23,537</u></u>	<u><u>2,383</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (UNAUDITED)

	← Attributable to Owners of the Company →						Total	
	Share Capital	Non-distributable				Accumulated Losses		RM'000
		Share Premium	Revaluation Reserve	Warrant Reserve	Fair Value Reserve			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Twelve (12) months ended 31 December 2016								
As at 1 January 2016	9,447	2,231	1,017	-	(31)	(7,640)	5,024	
Profit for the financial period	-	-	-	-	-	317	317	
Other comprehensive income								
- Revaluation surplus	-	-	949	-	-	-	949	
- Fair value changes of available-for-sale financial assets	-	-	-	-	31	-	31	
Total comprehensive income for the year	-	-	949	-	31	317	1,297	
Realisation of revaluation reserve	-	-	(12)	-	-	-	(12)	
Transaction with owners of the company recognised directly in equity								
Contribution by and distribution to owners of the company								
- Issue of new ordinary share	28,342	-	-	-	-	-	28,342	
- Expenses permitted to write off	-	(571)	-	-	-	-	(571)	
- Provision of warrant reserve	-	(1,660)	-	4,724	-	(3,064)	-	
Total contribution by and distributions to owners of the company	28,342	(2,231)	-	4,724	-	(3,064)	27,771	
As at 31 December 2016	37,789	-	1,954	4,724	-	(10,387)	34,080	
Twelve (12) months ended 31 December 2015								
As at 1 January 2015	9,447	2,231	1,028	-	(20)	(7,250)	5,436	
Loss for the financial period	-	-	-	-	-	(390)	(390)	
Other comprehensive loss	-	-	-	-	(11)	-	(11)	
Total comprehensive loss for the period	-	-	-	-	(11)	(390)	(401)	
Realisation of revaluation reserve	-	-	(11)	-	-	-	(11)	
As at 31 December 2015	9,447	2,231	1,017	-	(31)	(7,640)	5,024	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

M N C WIRELESS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (UNAUDITED)

	As At 31.12.2016 <u>Unaudited</u> RM'000	As At 31.12.2015 <u>Audited</u> RM'000
Assets		
Non-Current Assets		
Other investment	41	118
Property and equipment	7,063	6,033
	<u>7,104</u>	<u>6,151</u>
Current Assets		
Trade receivables	4,131	4,651
Other receivables, deposits and prepayments	5,745	485
Fixed/Short term deposits with a licensed bank	12,796	286
Cash and bank balances	10,941	2,297
	<u>33,613</u>	<u>7,719</u>
Total Assets	<u><u>40,717</u></u>	<u><u>13,870</u></u>
 Equity and Liabilities		
Equity		
Share capital	37,789	9,447
Share premium	-	2,231
Revaluation reserve	1,954	1,017
Fair value reserve	-	(31)
Warrant reserve	4,724	-
Accumulated losses	<u>(10,387)</u>	<u>(7,640)</u>
Total Equity	<u>34,080</u>	<u>5,024</u>
 Current Liabilities		
Trade payables	2,267	3,787
Other payables and accruals	949	1,789
Term loans	165	157
	<u>3,381</u>	<u>5,733</u>
 Non-Current Liabilities		
Term loans	2,604	2,774
Deferred taxation	652	339
	<u>6,637</u>	<u>8,846</u>
Total Liabilities	<u>6,637</u>	<u>8,846</u>
 Total Equity and Liabilities	<u><u>40,717</u></u>	<u><u>13,870</u></u>
 No. of ordinary shares ('000)	377,894	94,474
 Net assets per ordinary share (sen)	9.02	5.32

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE QUARTERLY REPORT –31 DECEMBER 2016

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting

1. First-time adoption of Malaysian Financial Reporting Standards (MFRS)

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2015 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2016. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements.

The significant accounting policies applied in the interim financial report are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2015 except for the effects of newly issued Malaysian Financial Reporting Standards ("MFRS") and IC Interpretations ("IC Int.") to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2016:-

MFRSs (Including The Consequential Amendments)

The Group has not applied in advance the following new MFRSs and amendments/improvements to MFRSs that have been issued by MASB but not yet effective for the current financial year:

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarifications to MFRS 15	1 January 2018
MFRS 16 - Leases	1 January 2019
Annual improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 4 applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiative	1 January 2017

The above accounting standards and interpretations (including the consequential amendments) are not expected to have a material impact to the financial statements of the Group operations except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 as issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2015 was not subject to any qualification.

3. Comments About Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

5. Changes in Estimates

There were no significant changes in estimates which will have a material effect in the current quarter under review.

6. Changes in Debt and Equity Securities

There was no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter under review.

7. Dividends Paid

There were no dividends paid during the current quarter under review.

8. Segmental Information

The segmental result of the Group for the financial period ended 31 December 2016 based on segment activities are as follows:-

	Wireless/ Mobile Services RM'000	Digital And Multimedia Related Services RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External sales	10,734	6,412	-	17,146
	10,734	6,412	-	17,146

Results	
Profit before investment income and taxation	727
Investment income	44
Profit before taxation	<u>771</u>
Taxation	<u>(454)</u>
Profit for the period	<u><u>317</u></u>

9. Valuation of Property and Equipment

The Group did not revalue any of its property or equipment during the current quarter under review. Revaluation was done in earlier quarter financial period ended 30 June 2016.

10. Subsequent Events

There were no material events subsequent to the end of the financial quarter which is not reflected in the financial statements of the current quarter under review.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

12. Contingent Assets and Contingent Liabilities

There were no material contingent assets and contingent liabilities as at the date of this report.

13. Commitments

There were no commitments as at the date of this report.

14. Significant Related Party Disclosures

There were no significant related party transactions during the current period under review.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the ACE Market

1. Detailed Performance Analysis

	Q4 2016 RM'000	Q4 2015 RM'000
Revenue	4,448	4,773
Profit before taxation	226	672

The Group's revenue for the current quarter decreased compared to the corresponding quarter of the preceding year. The decreased in revenue was due to lower revenue from wireless/mobile services as consumer spending decreased from the slowdown in local economic environment compared to the corresponding quarter of the preceding year.

Correspondingly, the Group's profit before tax decreased compared to the corresponding quarter of the preceding year, on the back of higher operating expenses.

The performance of the respective business segments is analysed as follows:-

	Q4 2016 RM'000	Q4 2015 RM'000
Revenue:-		
- Wireless/Mobile Services	2,175	3,565
- Digital and multimedia related services	2,273	1,208
Profit before taxation		
- Wireless/Mobile Services	111	498
- Digital and multimedia related services	115	174

Wireless/Mobile Services - The Group recorded a lower profit compared to corresponding quarter of the preceding year, due to lower revenue from wireless/mobile services as consumer spending decreased from the slowdown in local economic environment, compared to the corresponding quarter of the preceding year.

Digital and multimedia related services - The decrease in profit before tax is mainly due to higher operating expenses during the current quarter under review.

2. Material Changes in the Quarterly Results compared to the results of the Preceding Quarter

	Q4 2016 RM'000	Q3 2016 RM'000
Revenue	4,448	3,650
Profit before taxation	226	227

The Group registered similar profit compared to the preceding quarter despite higher operating cost.

3. Prospects

Market environment remains challenging, more so with the general slowdown in the local economy, coupled with keener competition amongst players in the respective business segment markets, all of which may result in lower revenue in the respective business segments.

With this in mind, the Group will continue to further streamline its operations and continue to intensify its business development efforts through active client acquisition strategy & strategic business collaboration such as last year's Memorandum of Understanding signing agreement with Petrowangsa Sdn Bhd, to offer the Group's product and services to customers in the Oil & Gas industry. There has been no further development on this.

The Group will also continue to develop its bespoke technology platform solution with ongoing discussion with its business partners (both locally & overseas) to further penetrate into respective markets.

The Group intends to utilise the rights issue proceeds to expand the wireless and mobile application service, multimedia related service and digital related service business segments. The proceeds will be utilised to acquire licenses, to support the TAC platform, purchase the advertising panels, which comprise of LCD HD Screen, set up marketing and IT-support office at Johor and Penang respectively and rent a shop lot for the branch office expansion.

4. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

5. Taxation

	Current Quarter		Cumulative Quarter	
	Q4 2016 RM'000	Q4 2015 RM'000	Q4 2016 RM'000	Q4 2015 RM'000
Current year tax	(188)	(302)	(550)	(446)
Prior year tax	269	(1630)	(217)	(1,818)
Deferred tax	(339)	4	313	4
Tax expense	(258)	(1,928)	(454)	(2,260)

6. Status of Corporate Proposals

Except as disclosed below, there were no corporate proposals announced but not completed in the current quarter under review:

On 23 June 2016, Public Investment Bank Berhad ("PIVB") had, on behalf of the Company, announced that the approval for extension of time from Bursa Malaysia Securities Bhd ("Bursa") on the proposed Private Placement had lapsed on the even date as the Company could not identify investors suitable to undertake the private placement of shares. There were no new shares issued pursuant to the Proposed Private Placement.

On 25 August 2015, PIVB announced that the Company proposes to undertake the following:

- (i) Proposed Rights Issue with Warrants - proposed renounceable rights issue of up to 311,762,550 new ordinary shares of RM0.10 each in MNC ("MNC Shares") ("Rights Shares") together with up to 207,841,700 free detachable warrants ("Warrants") at an indicative issue price of RM0.15 per Rights Share on the basis of three (3) Rights Shares together with two (2) Warrants for every one (1) existing MNC Share held on an entitlement date to be determined and announced later based on a minimum subscription level of 33,000,000 Rights Shares together with 22,000,000 Warrants;
- (ii) Proposed ESOS - proposed establishment of an employee share option scheme ("ESOS" or "Scheme") of up to thirty per cent (30%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees (including Directors, either an executive Director or a non-executive Director) of the Group (excluding dormant subsidiaries), after the Proposed Rights Issue with Warrants, who meet the criteria of eligibility for participation in the ESOS as set out in the by-laws containing the rules, terms and conditions of the ESOS;
- (iii) Proposed Increase in Authorised Share Capital - proposed increase in the authorised share capital of MNC from RM25,000,000 comprising 250,000,000 MNC Shares to RM100,000,000 comprising 1,000,000,000 MNC Shares; and
- (iv) Proposed MOA Amendments - proposed amendments to the Memorandum of Association of MNC ("MOA") to facilitate the Proposed Increase in Authorised Share Capital.

On 18 November 2015, PIVB announced that Bursa had, vide its letter dated 17 November 2015, approved the following (subject to compliance of certain conditions as stipulated by Bursa):

- (i) Admission to the Official List of Bursa and the listing of and quotation for up to 207,841,700 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) listing of and quotation for up to 311,762,550 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;

- (iii) listing of and quotation for up to 207,841,700 new MNC Shares to be issued pursuant to the exercise of the Warrants; and
- (iv) listing of and quotation for such number of new MNC Shares representing up to thirty percent (30%) of the total issued and paid-up share capital of MNC (excluding treasury shares) during the duration of the ESOS to be issued and allotted pursuant to the Proposed ESOS.

The above proposals were tabled and approved by the shareholders of the Company at the Extraordinary General Meeting held on 21 December 2015.

Further thereto, Bursa had on 14 April 2016, approved MNC's application for an extension of time of six (6) months from 17 May 2016 to 16 November 2016 to complete the implementation of the above proposals pursuant to Rule 6.60(1) of the ACE Market Listing Requirements of Bursa.

The company has completed the above proposals on 11 November 2016.

Status of utilisation of proceeds raised from above proposal.

No	Description	Amount	Timeframe for utilisation of proceeds from date of receipt	YTD Utilisation	YTD Balance
1	Wireless and mobile application services expenses	2,000,000	Within twenty-four (24) months	-	2,000,000
2	Multimedia related service expenses - Infrastructure development expenditure	3,000,000	Within twenty-four (24) months	-	3,000,000
3	Digital related service expenses - Purchase of advertising display panels	8,000,000	Within twenty-four (24) months	-	8,000,000
4	Branch Expansion	4,000,000	Within twelve (12) months	-	4,000,000
5	Repayment of bank borrowings	2,750,000	Within twelve (12) months	-	2,750,000
6	Working capital	8,021,011	Within twenty-four (24) months	(6,298,615)	1,722,396
7	Estimated expenses for the Corporate Exercises	570,989	Within six (6) months	(570,989)	-
		28,342,000		(6,869,604)	21,472,396

Remarks:

Unutilized proceeds are placed in interest bearing fixed deposit with licensed financial institutions(s), money market funds.
Corporate exercise estimated expense surplus is adjusted accordingly to working capital.

7. **Group Borrowings and Debt Securities**

The Group's borrowings as at 31 December 2016 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	165
Non-current	2,604
	<u>2,769</u>

8. **Changes in Material Litigation**

(a) Legal Suit by Metronic Global Bhd.

Further to company announcement made on 16/02/17, the Company announced that the High Court on 14/02/2017 struck off the suit against the directors and Company.

9. **Dividend Payable**

The Board of Directors did not recommend any dividend for the current quarter under review.

10. **Earnings/Loss Per Share**

	Current Year Quarter 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year To Date 31.12.2015
Basic Earnings/(Loss) Per share				
(Loss)/Profit after taxation (RM'000)	(32)	(1,256)	317	(390)
Weighted average number of ordinary shares in issue ('000)	122,945	94,474	122,945	94,474
Basic earnings (loss)/profit per share (sen)	(0.03)	(1.33)	0.26	(0.41)

11. **Basic Diluted Earnings
Per Share**

	Current Year Quarter 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year To Date 31.12.2015
Basic Diluted Per share				
(Loss)/Profit after taxation (RM'000)	(32)	(1,256)	317	(390)
Weighted average number of ordinary shares in issue ('000)	566,841	94,474	566,841	94,474
Basic diluted earnings (loss)/profit per share (sen)	Not Applicable	Not Applicable	0.06	Not Applicable

12. Profit Before Taxation

Profit before taxation is arrived at after charging/ (crediting):-

	Current Year Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2016 RM'000
Interest income	(37)	(44)
Interest expense	22	116
Depreciation of equipment	74	263
Reversal of impairment loss on receivables	(5)	(22)
Realised gain on foreign exchange	-	(2)
Allowance for impairment loss on receivables	24	24
Gain on disposal of quoted investment	-	(52)

13. Realised And Unrealised Losses Disclosure

	As at 31 Dec 2016 RM'000	As at 31 Dec 2015 RM'000
The accumulated losses of M N C Wireless Berhad and its subsidiaries :-		
- Realised	(9,735)	(7,301)
- Unrealised	(652)	(339)
Total Group accumulated losses as per consolidated accounts	<u>(10,387)</u>	<u>(7,640)</u>